

DOCKET FILE COPY ORIGINAL

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED

MAR 18 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
)	
Tariffs Implementing)	CC Docket No. 97-250
Access Charge Reform)	
)	
MCI Emergency Petition)	CCB/CPD 98-12
for Prescription)	

OPPOSITION OF AMERITECH

Michael S. Pabian
Counsel for Ameritech
Room 4H82
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025

Dated: March 18, 1998

No. of Copies rec'd
List A B C D E

014

TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY.....	2
II.	MCI HAS NOT ADEQUATELY JUSTIFIED ITS REQUEST FOR THE COMMISSION TO PRESCRIBE ACCESS RATES TO FORWARD-LOOKING COSTS.	4
A.	Recent Appellate Decisions Do Nothing to Inhibit the Development of Local Competition on Economic Terms.....	4
B.	MCI Is Simply Wrong in Its Assessment of Access Competition.....	6
C.	The Commission Correctly Concluded That Prescribing Access Rates Is Not Appropriate at This Time.	10
III.	IXCs' FINANCIAL PERFORMANCE IS IRRELEVANT TO THE ISSUES RAISED IN THE PETITION.....	12
IV.	PICCs SHOULD CONTINUE TO BE ASSESSED TO IXCs -- NOT TO END USERS.....	14
V.	MCI'S COMPLAINT CONCERNING THE DEFINITION OF PRIMARY LINES IS BEING ADDRESSED ELSEWHERE.....	15
VI.	AMERITECH PROVIDES IXCS WITH ACCURATE LINE INFORMATION WITH EVERY PICC BILL.	17
VII.	NO STANDARDIZED PICC "SNAPSHOT" DATE IS NECESSARY.	18
VIII.	THE COMMISSION SHOULD NOT REQUIRE A SEPARATE ITEMIZATION OF UNIVERSAL SERVICE SUBSIDIZES.	19
IX.	MCI ADDS NOTHING TO SPRINT'S PETITION REGARDING THE APPLICATION OF PICCs.....	20

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Tariffs Implementing)	CC Docket No. 97-250
Access Charge Reform)	
)	
MCI Emergency Petition)	CCB/CPD 98-12
for Prescription)	

OPPOSITION OF AMERITECH

Ameritech¹ submits this opposition to MCI's "emergency petition for prescription." In most respects, the petition is nothing more than an untimely request for the Commission to reconsider its Access Reform Order.² Moreover, MCI raises no new arguments that the Commission is not considering either in the context of other open proceedings or in evaluating other petitions that have already been filed. The Commission should deny MCI's petition in its entirety.

¹ Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

² *In the Matter of Access Charge Reform*, CC Docket No. 96-262, First Report and Order, FCC 97-158 (released May 16, 1997) ("Access Reform Order").

I. INTRODUCTION AND SUMMARY.

MCI's petition is the most recent in what appears to be a series of collateral attacks on the Commission's Access Reform Order.³ In addition, the petition raises issues that the Commission is already considering in other open proceedings.⁴ The petition should, therefore, be dismissed as duplicative or, at best, simply considered as untimely or ex parte comments in connection with those open matters.

In any event, MCI's case is weak on the merits. MCI uses ill-founded assumptions to support its claim that the Commission should do a policy about-face and, after only 6 months, abandon its reliance on market forces to put competitive pressure on LEC access prices. In fact evidence of competitive pressure is significant. Recent IXC/CAP mergers being just one example. Prescribing rates to forward-looking cost would only distort the competitive process.

Further, despite MCI's alleged problems with "zero-usage customers," PICC should still be billed to IXCs, not to end users. The effect of MCI's request for direct billing of PICC to end users would be a de facto increase in the end user common line charge.

MCI's complaint concerning the definition of primary residential line is already being addressed in the Commission's open docket on that subject. MCI's petition adds nothing on that point and should be treated accordingly.

MCI's requests for modification of the CARE system, for billing audits, and for a Commission orders regarding LEC-produced details on PICC must be evaluated in light of the

³ See, e.g., Petition for rulemaking filed by CFA and others (RM-9210).

⁴ *In the Matter of Defining Primary Lines*, CC Docket No. 97-181, Notice of Proposed Rulemaking, FCC 97-316 (released September 4, 1997) ("Primary Lines NPRM"); *In the Matter of Sprint Petition for Declaratory Ruling Concerning Billing of PICCs*, CCB/CPD 98-2.

fact that Ameritech is already complying with the Commission's order in this latter respect. In particular, Ameritech provides detailed line information with every PICC bill. The Commission should require nothing more.

Similarly, MCI's request for a uniform "snapshot" date should be denied. It is reasonable to assume that most cases of billing "overlap" will be offset by cases of billing "gaps." In light of any evidence to the contrary, the Commission should not mandate costly changes to LEC billing systems.

Similarly, the Commission should not require a separate itemization of universal service subsidizes. With each annual filing, IXC's are provided with information that they can use to estimate the amount of subsidy cost recovered in access rates.

Finally, MCI contributes nothing in its discussion regarding Sprint's petition concerning the application of PICCs. Moreover, there is a concern that these request may mask an effort by IXC's to rid themselves of low-usage customers. In any event, like Sprint's petition, MCI ignores the fact that LEC's bill PICCs according to the end user's PIC selection. In order for an IXC to de-PIC a customer, there may be changes required to LEC tariffs. In any event, IXC's should be required to pay appropriate PIC change charges.

II. MCI HAS NOT ADEQUATELY JUSTIFIED ITS REQUEST FOR THE COMMISSION TO PRESCRIBE ACCESS RATES TO FORWARD-LOOKING COSTS.

MCI's proposal that the Commission should abandon its market-based approach to access reform is simply a rehash of arguments the Commission has heard before⁵ and provides no more substance than did the earlier claims.

A. Recent Appellate Decisions Do Nothing to Inhibit the Development of Local Competition on Economic Terms.

MCI incorrectly claims that the recent decisions of the United States Court of Appeals for the Eighth Circuit regarding unbundled network elements ("UNEs") have destroyed the bases for the Commission's decision to rely, at least in the short term, on market forces to exert a constraining influence on access prices.⁶ MCI rues the Eight Circuit's decision on UNE pricing,⁷ saying that there is no guarantee that UNEs will be available at reasonable rates and that ILECs will be free to engage in a price squeeze.⁸ But MCI's underlying assumption is that state commissions will not do their job. The law clearly contemplates that state authorities must set UNE prices in accordance with the cost-based statutory mandate.⁹ And, there is no evidence that states are not up to the task in that regard or that the statutory remedy is inadequate if they fail.¹⁰

⁵ See petition of CFA and others, RM-9210.

⁶ Petition at 3-5.

⁷ 120 F.3d 753 (8th Cir. 1997).

⁸ Petition at 5-6.

⁹ §252(d) of the Communications Act of 1934 as amended by the Telecommunications Act of 1996 ("TA96").

¹⁰ §252(e)(6).

Moreover, many states, on their own, may decide to adopt the Commission's TELRIC standard. The Illinois Commerce Commission has recently announced its decision to do just that.¹¹

In addition, the Court's decision on rehearing regarding pre-existing combinations¹² was a determination of Congress' view as to what is necessary/appropriate to facilitate local competition. MCI is essentially asking the Commission to find that that statutory plan is inadequate. Ameritech suggests that such a conclusion is unjustified and is in fact contradicted by the evidence.¹³

Moreover, MCI acknowledges that the Eight Circuit's original decision will be reviewed by the Supreme Court. Even if one were to accept, for argument's sake, MCI's view that the decision may prove to be a catastrophe, the type of drastic action MCI advocates -- prescription of access rates, with all the attendant dangers¹⁴ -- is certainly premature before the Supreme Court rules. If the Commission were to act positively on MCI's petition, it would have to have spent substantial resources in examining the record and justifying its decision in light of that record. It goes without saying that that effort would have to be repeated anew in a relatively short time if the Supreme Court reversed the Eighth Circuit's decision since, in that case, the Commission would surely be asked to revisit its decision.

¹¹ I.C.C. Second Interim Order, Case Nos. 96-0486/0569 (February 17, 1998).

¹² Also reported at 120F.3d 753.

¹³ See subsection B, *infra*.

¹⁴ See subsection C, *infra*.

B. MCI Is Simply Wrong in Its Assessment of Access Competition.

MCI claims that no meaningful local exchange competition will develop in the near term to create downward pressure on access rates.¹⁵ But a careful review of developments over the last two years suggests that this is not the case. There have been significant changes in the local exchange landscape in keeping with the predictions that were made when access reform was being considered.

During the access reform proceeding, the Commission and other interested parties forecasted that the market-based approach to access reform would help stimulate competition by providing profitable opportunities for new entrants. High access charges would attract new competitors using UNEs or their own facilities or both, new capital would be drawn to the industry for creating new infrastructure, and prices would decline naturally through the operation of the competitive marketplace.¹⁶ In the short time since the Access Reform Order was released, the first two of these predictions have proven true.¹⁷ It is wholly unreasonable for MCI to request that the Commission reverse its decision when the clear trajectory of current events is toward fulfillment of the Commission's goals.

To demonstrate that the local market is open in its service areas, Ameritech offers Attachment A, a list of the status of the applications of competitive carriers for state certification,

¹⁵ Petition at 3-7.

¹⁶ Access Reform Order at ¶¶258-284, 289. Also, Ameritech Comments in that docket, filed January 29, 1997, at 48-49 and attached statement by Dr. Kenneth Gordon, "Access, Regulatory Policy and Competition", at 21-22; Ameritech Reply Comments, filed February 14, 1997, at 6-8 and attached reply statement of Dr. Kenneth Gordon at 17-19.

¹⁷ These predictions, of course, didn't anticipate growth in access-free Internet telephony, which, of course, exerts its own pressure on any system reliant on LEC access services. E.g., ICG recently announced Internet calls at 5.9 cents per minute. (TR Daily, March 11, 1998)

and Attachment B detailing the status of interconnection agreements. This data clearly shows that the level of competitive interest in the Ameritech region is extremely high, including interest by MCI itself. In addition, Attachment C demonstrates the active nature of that competition -- detailing the explosive growth of resold lines, unbundled loops and end office integration trunks -- all this despite MCI's insinuation of discrimination in access to OSS functions.¹⁸

In addition, prior to the Commission's access reform decision, local exchange competition was characterized by a group of relatively small, unknown companies competing for business customers primarily in urban areas. Since then, however, agreements have been struck to merge the two largest interexchange carriers, AT&T and MCI, with the two largest CAPs, Teleport and MFS/Brooks (controlled by WorldCom). A casual reading of the press reports discussing these transactions demonstrates that these mergers will have an enormous impact on the development of local exchange competition, beginning with significant inroads into ILEC access demand.

On a standalone basis, the CAPs had high levels of available capacity to capture access traffic. But they lacked the market presence to capture concomitant traffic volumes. Their mergers with the largest IXCs have drastically changed this in a way that will greatly influence local exchange and exchange access competition.

An important justification for the acquisition prices has been the expectation of significant access reductions. Below are summarized the parties' own estimates of access savings that are expected to result from the various mergers that have taken place between the long distance carriers and CAPs.

¹⁸ Petition at 4-5.

Merger Partners	Access Charge Savings	
	1999	2002
WorldCom - MFS ¹⁹	\$200-\$400 M	\$200-\$400 M
WorldCom - Brooks ²⁰	\$35-45 M	\$35-45 M
WorldCom - MCI ²¹	\$400-500 M	\$1,600 M
AT&T - Teleport ²²	\$500-\$800 M	\$1,100-\$1,250 M
Total	\$1,135-\$1,795 M	\$2,935-\$3,295 M

These are not trivial numbers. ILEC access revenues in 1996 totaled \$35.6 billion.²³ These mergers, therefore, have created the opportunity for access charge savings of nearly 10% of industry access revenues, and a much higher percentage of revenues for the geographic markets in which the CAPs provide service.

Clearly, the mergers have greatly increased the competitive capabilities of the CAP local exchange networks. Teleport's 1997 revenues are expected to be less than \$500 million in total.²⁴ Yet its merger with AT&T will create \$500 million in access savings alone in 1999. In

¹⁹ "WorldCom to Buy MFS for \$12 Billion, Creating a Phone Giant", New York Times, Aug. 27, 1996, at D1. Report did not specify savings by specific year. Assumes that reported savings estimates are the same in both 1999 and 2002.

²⁰ "WorldCom Acquiring Brooks Fiber; Offering to Acquire MCI Communications", Wheat First Butcher Singer, reported in First Call, Oct. 2, 1997. Report did not specify savings by specific year. Assumes that reported savings estimates are the same in both 1999 and 2002.

²¹ "WorldCom Inc. (WCOM-OTC) Definitive Deal with MCIC, Strongly Accretive; Aggressively Reiterate Strong Buy", UBS Securities Equity Research, Nov. 11, 1997.

²² "An 11 Billion Bargain", Businessweek, Jan. 26, 1998, at 37.

²³ FCC Common Carrier Bureau, Industry Analysis Division, Telecommunications Industry Revenue: TRS Fund Worksheet Data, Nov., 1997, at 3.

²⁴ "An 11 Billion Bargain", *supra*.

addition, there will be substantial additional revenues from the leveraging of AT&T's brand name to provide local exchange services and one-stop shopping. New revenues from the merger that would not otherwise have occurred are estimated to be between \$330 million and \$450 million in 1999 and between \$660 million and \$750 million in 2002. Thus, total revenue loss for ILECs in Teleport-served markets will be in the range of \$1 billion in 1999 as a result of this merger without accounting for additional buildout of new facilities which AT&T can surely afford.

In addition to this vibrant new competition for access services, these mergers greatly enhance the ability of the local exchange partners to obtain capital to expand the breadth, depth and capabilities of their networks. Both MCI and AT&T are well-established companies with strong balance sheets and cash flows. While, prior to the mergers, the IXC's would have had to invest in more speculative de novo construction of local exchange networks, this capital can now be invested instead in the expansion and upgrade of already existing, operational networks at a much lower cost.

To the extent that the IXC's pass them along to customers, these access savings will lead to reductions in long distance prices that consumers are required to pay. More importantly, the ability of the IXC's to bypass ILEC access facilities will create pressure on the ILECs to avoid even larger losses by reducing access prices over time. Again, if the IXC's are willing to pass the cost savings along, there can be significant reductions in long distance rates for the American consumer.²⁵

²⁵ Of course, apart from this indirect pressure on long distance prices, consumers will see real and direct competitive pressure on long distance prices once Ameritech and other BOCs permitted to market and sell in-region long distance services to them.

While public commentators and others have bemoaned the recent merger wave in the telecommunications business, the CAP-IXC mergers have clearly created competitors in the local exchange business which are more viable and powerful than the CAPs on a standalone basis. Not only are the CAPs stronger competitors, with the ability to leverage off IXC brand names and customer bases, but they also have access to more capital market dollars at a lower cost of capital. The pressure to reduce access rates towards their economic cost can only be increased as a result of these developments.

C. The Commission Correctly Concluded That Prescribing Access Rates Is Not Appropriate at This Time.

MCI demands that the Commission "adopt prescriptive measures that accelerate the transition of access charges to forward-looking economic cost."²⁶ Yet to do so can only hinder the development of competition and render unprofitable much of the investment that has been and is being made by competitive local exchange carriers.²⁷

In the Access Reform Order, the Commission correctly concluded that an immediate represcription of access rates to forward-looking costs was inadvisable. The Commission first observed that cost models were not yet available.²⁸ However, it also noted:

[E]ven assuming that accurate forward-looking cost models were available, we are concerned that any attempt to move immediately to competitive prices for the remaining services would require dramatic cuts in access charges for some carriers. Such an action could result in a substantial decrease in revenue for incumbent LECs, which could prove highly disruptive to business operations, even when new explicit universal support mechanisms are taken into account. Moreover, lacking the tools for making accurate

²⁶ Petition at 6.

²⁷ See Ameritech Reply Comments in CC Docket No. 96-262, filed February 14, 1997, at 2, 18-20 and attached reply statement of Dr. Kenneth Gordon at 10, 13-17.

²⁸ Access Reform Order at ¶45.

prescriptions, precipitous action could lead to significant errors in the level of access charge reductions necessary to reach competitive levels. That would further impede the development of competition in the local markets and disrupt existing services.²⁹

In light of that fact, the Commission soundly concluded:

Competitive markets are superior mechanisms for protecting consumers by ensuring goods and services are provided to consumers in the most efficient manner possible and at prices that reflect the cost of production.³⁰

Only the marketplace can dictate the efficient price, through the coalescence of cost and demand information and the experimentation of suppliers and customers. As Ameritech has pointed out:

To the extent ILEC access rates are prescribed at levels that are below what would have been normal market levels, those rates will discourage entry or expansion by efficient competitors.³¹

If the goal is competition, it cannot be achieved by eliminating the opportunity to earn a profit for new entrants seeking to invest capital and build facilities.

That is especially true if, as MCI apparently would have it, rates were to be prescribed to the forward-looking costs of the most efficient competitor. This would not only make it impossible for Ameritech and other ILECs to recover the costs they have prudently incurred in the provisioning of access services, placing a chill on future network investment, it also would preclude, or greatly discourage, entry by new competitors by eliminating any profit that they would hope to earn upon entry. Indeed, the only entry that could take place would be by the

²⁹ *Id.* at ¶46.

³⁰ *Id.* at ¶263.

³¹ Comments filed on January 29, 1997, in CC Docket No. 96-262.

most efficient competitor, and it would do so with the prospect of earning a return only sufficient to cover its capital cost. As Ameritech pointed out in its Access Reform Reply Comments:³²

A prevailing market price is determined by the interaction of all suppliers and consumers and over the long run will be at the level of the actual costs of the least efficient firm able to stay in the market and vie for competitors. (Emphasis added).

The evidence is clear, as noted in the previous subsection, that competition exists and that the pressures on LEC access charges are escalating. In that light, not only should the Commission refuse to reconsider its decision not to presubscribe access rates, it should expedite the second phase of access reform and begin the implementation of pricing flexibility for LEC access services. As the Commission stated:

Instead of exposing customers to harm, we expect that permitting incumbent LECs certain kinds of flexibility in response to the development of competition will allow prices for interstate access services to adjust in ways that reflect the underlying economic costs of providing those services without moving outside the range of rates that are just and reasonable.³³

III. IXCs' FINANCIAL PERFORMANCE IS IRRELEVANT TO THE ISSUES RAISED IN THE PETITION.

MCI spends several pages discussing the "luke-warm financial performance of long distance carriers as a group,"³⁴ as if this in some way supported its request for relief. It does not. Ameritech does not intend, in the context of this proceeding, to discuss the level of price competition in the interexchange business or whether IXCs are in fact flowing through access charge reductions in their rates. Ameritech must emphasize however that the IXCs were beneficiaries of substantial reductions in Ameritech's interstate access rates -- approximately

³² Filed February 14, 1997, at 18, and attached reply statement of Dr. Kenneth Gordon at 13-14.

³³ Access Reform Order at ¶364.

\$200 million -- as a result of the 1997 annual access filing and the access reform filing effective January 1. Given these substantial access charge reductions, one would expect substantial rate decreases by the IXC's.

However, MCI's stated willingness to flow through access rate decreases must be looked on with a certain degree of skepticism given the following representation made in its petition:

[B]ut the current level of interstate access charges constrains the financial resources available for IXC's to pursue a facilities-based local strategy. . . . As long as access rates remain above forward-looking economic cost, RBOCs will control local bottleneck facilities and continue to line their pockets with capital that long distance companies could otherwise invest in local facilities³⁵

MCI appears to be saying that, if LECs reduced their interstate access charges, IXC's would have greater "financial resources" to invest in pursuing the competitive local exchange business. In order for that to be the case, however, IXC's would have to decide not to flow through access charge reductions to their interstate service customers.³⁶ But if the IXC's intend to flow through access charge reductions to their interstate customers, then the level of access charges has no direct bearing whatsoever on the financial resources IXC's have available to pursue the competitive local exchange business. The logical question for MCI, then, is, "Which is it?"

³⁴ Petition at 9-13.

³⁵ Petition at 7-8

³⁶ The fact that MCI thinks that IXC's can shift these savings to local service competitive efforts is perhaps indicative of the state of competition in the long distance marketplace.

IV. PICCs SHOULD CONTINUE TO BE ASSESSED TO IXC'S -- NOT TO END USERS.

Citing the alleged "problem" of "zero-usage customers", MCI requests that the Commission immediately require LECs to recover PICCs from end users.³⁷ MCI complains that there is no "efficient cost causative manner" in which to recover PICC charges assessed by LECs for lines subscribed to by these zero-usage end users. Of course, that is nonsense. There is nothing that prevents MCI from billing customers the actual costs that those customers cause. Carriers can adjust their flat charges accordingly and bill customers bi-monthly or quarterly if that is more efficient.

However, assuming for argument's sake, that what MCI says is true, that should not affect the Commission's sound policy decision that PICCs -- which represent the cost subsidizing primary residence and single line business loops as well as the LECs' cost of contributions to federal universal service funds -- should not be paid directly by end users. Increasing the flat-rate interstate charges assessed by LECs to end users would have exactly the same effect as increasing end user common line ("EUCL") charges by an even greater amount than the Commission has provided for in the Access Reform Order. The Commission's decision to limit EUCL charge increases was a sound one from a public policy perspective and should not be disturbed through the back door as MCI proposes.

Moreover, it must be remembered that the institution of PICCs was accompanied by an even greater reduction in per-minute charges, when considering the increase in multi-line EUCLs which reduced the total burden on IXCs.. Since the PICCs represent, for the most part, no net

³⁷ Petition at 8.

increase in access charges in IXC's, the Commission should be even more reluctant to grant MCI's request to shift the burden directly to end users.

V. MCI'S COMPLAINT CONCERNING THE DEFINITION OF PRIMARY LINES IS BEING ADDRESSED ELSEWHERE.

In an effort apparently designed to contribute more heat than additional light, MCI clamors for the Commission to immediately issue an order defining primary lines, complaining that the LECs' definitions are "vague" and "circular".³⁸ As MCI itself notes, the issue is currently the subject of the Commission's open proceeding in CC Docket No. 97-181. In addition, however, it is an issue that is also addressed in the Commission's tariff investigation in this very docket. Specifically, with respect to their tariff modifications implementing the Commission's Access Reform Order, the Common Carrier Bureau has asked each price cap LEC to include in its direct case an explanation of why its definition of primary residential line is reasonable.³⁹

Further, it is little wonder that MCI complains that, at least in the case of Ameritech, the definition is vague. MCI has not found the right tariff section. It has omitted from its Appendix A the operative definitional sections of Ameritech's tariff. Section 3.8.1(A) contains the relevant language for PICCs:

A Primary Residence Line is defined as the first local residence exchange service provided to any single service location.⁴⁰

³⁸ Petition at 15-18.

³⁹ *In the Matter of Tariffs Implementing Access Charge Reform*, CC Docket No. 97-250, Order Designating Issues for Investigation, DA 98-151 (released January 28, 1998) ("Designation Order") at ¶17.

⁴⁰ Similar language appears in section 4.1.6(K) with respect to the application of the EUCL.

This definition is reasonable because it is unambiguous and easy to administer. The classification is based on an objective and easily verifiable standard and is not susceptible to “gaming” by subscribers who, in search of a lower EUCL, might otherwise subscribe to a number of lines at the same location in different names. In addition, the definition is non-intrusive -- it does not require an inquiry into relationships between parties at the same location (*i.e.*, for the definition of a “household”). Finally, it is fair and consistent with universal service principles. The first residential line at a given service location will be considered primary in all cases regardless of the number of other lines that are later installed at that location. While universal service principles might favor the subsidization of the first residential line at a location, it cannot be argued that it would be consistent with those principles to subsidize additional lines if, for example, roommates decide to install additional lines in their own names because it is easier to keep track of individual usage and billing.

On the other hand, MCI proposes a definition that is completely at odds with universal service principles. MCI claims that a line should be considered primary if it is the only line on the IXC’s end user billing account (instead of the ILEC end user billing account).⁴¹ This definition makes no sense at all. Under it, a customer with five lines would have them all considered primary if she had a different PIC on each line. This would result in the preferential treatment of services that are not encompassed in the definition of universal service adopted by the Commission in its universal service order.

Moreover, MCI’s proposed definition would be more administratively burdensome. It would be more difficult and require costly billing system changes for LECs to bill the type of PICC dependent on the identity of the PIC on each line. Finally, in their opposition to the LECs’

access reform tariff filings, certain IXCs complained that the LECs' primary line counts were too low. MCI's proposed definition would obviously increase the percentage of residential lines that were considered primary.

VI. AMERITECH PROVIDES IXCS WITH ACCURATE LINE INFORMATION WITH EVERY PICC BILL.

MCI makes several demands in connection with its alleged inability to obtain data to verify LEC PICC charges.

MCI first requests the Commission to require that LECs populate a "class of customer" indicator on customer account record exchange ("CARE") transaction for new customer notifications. There have been discussions at these Subscription Committee of the Ordering and Billing Forum ("OBF") on this very issues. It should be noted that the CARE system is one designed primarily to provide carriers with notification of their new customers and not specifically to support IXC billing systems. The Commission should not mandate costly changes to this system to further a purpose for which the system was not intended.⁴²

Further, MCI asks the Commission to prescribe language permitting IXCs to request an independent audit of ILEC systems used to determine and build the PICC.⁴³ Ameritech would not object to such an audit on two conditions. First, carriers requesting the audit should be required to pay for the audit. Second, neither the frequency with which audits are requested nor the manner in which they are conducted should in any way be burdensome to the LEC or interfere with LEC operations.

⁴¹ Petition at 18.

⁴² Petition at 19.

⁴³ Petition at 19.

MCI's CARE and audit requests, however, are obviated, at least in the case of Ameritech, by the fact that Ameritech, in compliance with the Commission's Access Reform Order, provides all IXCs with "snapshot" information behind every PICC bill that is rendered. In particular, this report contains two files, the PICC summary file and the PICC detail file. The PICC summary file includes summary access line counts by PICC type for the IXC by state, ACNA, CIC, LATA, and end office CLLI codes. The PICC detail file provides the IXC with working telephone numbers sorted by state, ACNA, CIC, LATA, CLLI, terminal numbers (for Centrex lines) and PICC types. (For these reports, PICC types include primary residence, non-primary residence, single line business, multi-line business, Centrex, ISDN-BRI, and ISDN-PRI.) This data accompanies each PICC bill. Ameritech renders these bills on the 13th of each month out of its carrier access billing system ("CABS"). All this information assists IXCs' reconciliation processes and is furnished for their information so that they may determine how best to bill these costs through to their customers. Ameritech respectfully suggests that no further action on the part of the LECs should be required.

VII. NO STANDARDIZED PICC "SNAPSHOT" DATE IS NECESSARY.

MCI requests that the Commission require all LECs to adhere to the same snapshot dates for assessment of PICCs.⁴⁴ Otherwise, MCI claims, with customers moving, IXCs will be assessed PICCs by more than one LEC for the same customer. Ameritech suggests that this problem is not nearly as serious as MCI claims. It is quite likely that the number of instances in

⁴⁴ Petition at 24-25.

which a carrier will be “double billed” will probably be offset by the number of times in which the carrier is actually “under billed.”

Moreover, because different carriers have different billing cycles, mandating a standardized snapshot date for PICCs makes little sense in the absence of a complete synchronization of billing cycles across all LECs. For example, it does little good to specify that the single nationwide snapshot date should be the 10th of each month when some carriers will generate some bills on the 5th and other carriers will generate some bills on the 15th. If a customer moves on the 10th from a company that generates bills on the 15th to a company that generates bills on the 5th, there will actually be a gap of almost a month for which no PICC was billed for that customer’s line. If the customer moves in the other direction there will be an overlap of the type MCI is concerned about. But, again, because there is no evidence that there will be any significant net effect on any carriers, the Commission should decline to order the devotion of resources in pursuit of a micro-accuracy that makes no perceptible difference in the long-run.

Certainly, without evidence as to disproportionate customer migrations, the assumption that the “overbilling” and “underbilling” situations will balance out appears to be a reasonable one and argues strongly against requiring the spending of vast amount of money to modify billing systems.

VIII. THE COMMISSION SHOULD NOT REQUIRE A SEPARATE ITEMIZATION OF UNIVERSAL SERVICE SUBSIDIZES.

MCI has requested that the Commission require that LEC access bills include a line item break out of universal service subsidies that are passed through to the IXC in each access

element.⁴⁵ In response to a letter request, Ameritech has already provided MCI with information concerning the gross allocation of universal service costs to the applicable price cap baskets (*i.e.*, those baskets with end user revenues -- common line, trunking, and interexchange).⁴⁶ By way of further explanation Ameritech offers the discussion included with its direct case in this docket on the issue -- specifically pages 17-19⁴⁷ -- which describes the two step process that was used by Ameritech to allocate the USF exogenous amounts in the trunking baskets.

With this information, MCI can certainly estimate the USF amounts that are being passed through to it and the manner in which they are being passed through so that it can determine how best to recoup those costs from its customers. However, it would be extremely burdensome and completely unnecessary to require local exchange carriers to break out, in line item form, the exact amount of USF support costs that are included in each rate element. For the purposes of setting its own rates, MCI has sufficient information

IX. MCI ADDS NOTHING TO SPRINT'S PETITION REGARDING THE APPLICATION OF PICCs.

In its petition, MCI acknowledges Sprint's petition for declaratory ruling regarding application of PICCs.⁴⁸ Sprint has requested the Commission to rule that an IXC that has terminated service to a presubscribed customer is not liable for PICCs with respect to that customer's line if the IXC has timely notified the LEC that it has discontinued the service to that

⁴⁵ Petition at 25-26.

⁴⁶ See letter dated February 27, 1998 from Jeffrey Ulm of Ameritech to John Trofimuk of MCI included as Attachment D.

⁴⁷ Included herewith as Attachment E.

⁴⁸ Filed December 31, 1997, CCB/CPD 98-2.

customer. MCI goes on for two pages to support Sprint's petition⁴⁹ without offering anything that has not already been said. Given this, Ameritech suggests that the Commission treat this aspect of MCI's petition as simply out-of-time comments filed in support of Sprint's petition.

Nevertheless, as to the merits of Sprint's and MCI's claims, as Ameritech pointed out in its opposition to Sprint's petition, several things should be considered by the Commission. First, it is clear that an IXC that terminates service to its customers should provide them with adequate notification telling them that they will be unable to complete long distance calls.

Second, the request itself raises questions as to whether IXCs will try to rid themselves of "low-usage" customers. In fact, MCI's complaint about the inefficiencies of trying to bill PICCs to "zero-usage" customers⁵⁰ gives credence to this concern. Given the fact that the creation of PICCs resulted in a lowering of traffic sensitive charges to IXCs, it may be inappropriate for any IXC to assess flat charges to its customers to recover PICC costs unless the IXC also lowered its usage charges to reflect the corresponding reduction in traffic sensitive rates.

Third, both Sprint and MCI sidestep the fact that the PIC is determined by the end user. Ameritech surmises that most LEC billing systems are such that PICCs are billed in accordance with the PIC selections of end users. Therefore, PICCs would be billed directly to end users (and not to IXCs) only in those cases in which the end user's PIC designation is "PIC-none". At this time, Ameritech's tariffs, and probably the tariffs of many other LECs, contemplate that an IXC cannot change an end user's PIC designation (including changing it to "PIC-none") without consent of the end user. At a minimum, therefore, Sprint's and MCI's request would require


⁴⁹ Petition at 23-24.

⁵⁰ Petition at 8.

LECs to amend their tariffs to specify that an end user's PIC selection may be changed to "PIC-none" by the IXC that is the end user's current PIC.

However, since the cost associated with implementing an IXC-requested change to "PIC-none" would be very similar to the cost of implementing an end user's PIC selection, the IXC that wishes to avoid being assessed a PICC charge for any particular end user should be required to pay the PIC change charge, just as the end user would. Moreover, carrier-initiated de-PICing would include additional costs involved in customer notification and handling calls from confused customers that would justify an additional charge to the de-PICing carrier.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael S. Pabian", written over a horizontal line.

Michael S. Pabian
Counsel for Ameritech
Room 4H82
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025
(847) 248-6044

Dated: March 18, 1998

[MSP0106.doc]

Attachment A